Development (Periodic) Plan Formulation in Nepal

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Outline of Presentation

1. Concept of Development Planning
2. Importance and Relevance of Planning
3. Contents of Development Plan
4. Plan Formulation in Nepal
5. Basis of the Plan Formulation
6. The 14th Plan
7. New Dimensions in Planning
8. Result Base Planning
1. Concept of Development Planning

- A plan is a set of thing or activities to operate in systematic order to achieve definite target or objectives.
- Development planning is the systematic management of resources for the purpose of achieving definite targets or objectives within specific period of time.

Development planning is:

- a deliberate effort of the government to influence in the major socio-economic variables like GDP, consumption, savings, investment, prices and employment etc, of a country for a specific period of time to achieve its desired objectives.
• In short, economic planning may be defined as the deliberate control and direction of the economy by the state for achieving certain targets and objectives with in a schedule time.
• It is the instrument to define a country’s future direction or destination.
• Development planning is closely related to economics activities of a nation.
• Therefore, it is also known as economic planning.
What is Planning?

• In planning, we try to respond the three basic questions:
  
  i. **Where are we now?** – The present socio-economic status of the country.  
    (it requires to analyze the country’s social and economic situation based on reliable data and information.)
What is Planning? (Contd..)

ii. **Where do we want to go?** What do we want to achieve?

   (The medium term goals/objectives, a clear goal and objectives of the government needs to be spelled out, based on the long term vision of the country.)

iii. **How can we get there?** The strategy to achieve the objectives and goals including policies and programs.

   (It requires analysis of the options available to achieve the objectives and choosing the most appropriate and efficient option.)

   Moreover, it also requires to identify the policies and programs that best suits to carry out the strategy.)
• A plan must be based on a long term vision/goal of a country set to achieve in a time period of say 15 to 20 years.

• A medium term plan provides medium-term vision of the country.

• The annual plan is important because it translate the periodic plan into action.
• Planning is more direction-oriented in command economy and more indicative in liberalized economy.
• Considering the time duration it is of three types.
• Perspective or long term plan (15 to 20 years period)
• Medium term plan (3 to 7 years period)
• Annual Plan (1 year period)
• The concept of development planning was first introduced in 1928 A.D. in the former Soviet Union.

• It became very popular after the end of 1930’s great economic depression and Second World War.

• The systematic development planning in Nepal was started in 2013 B.S. which was for 5 years.

• After the introduction of development planning in Nepal, 13th development plans has been implemented.
• The 14th plan, a three year plan, is in the 2nd year of its implementation.
• Since 1990: adoption of market or liberal economic policy in the context of globalisation, the form of the Plan has changed from planning by direction to more indicative or inducement type of plan.
• The role of the Government has been changed
  - the Government: a catalyst, motivator, regulator and facilitator role
  - the private sector: a lead role in the economy.
• Now: adoption of three pillar economy viz. public, private and cooperative sector
• More participatory approaches has been followed than before.
• Both “top down” and bottom up” approach has been followed.
• Started to formulate more strategic type of planning
• Prioritization of projects and programs has been started since the Tenth Plan
Requirements for Plan Formulation

- Data and information
- Knowledge about the economy as a whole including grass roots level realities
- Proper understanding of needs, resources and values
- Planning modality and approach
- Human and institutional resources
- Adequate consultations with the stakeholders
3. Importance and Relevance of Development Planning

- State knows the best
- State accords priority to the real needs
- Best use of resources
- Focus and perspective
- Better distribution of resources and outputs
- Efficient resource mobilization
- Development in all areas including input management to outputs and impacts feasible
- Saves time, energy and resources
- Poverty reduction
- Inclusive development
- Private sector development
- Market development
- Coordination
- Foreign aid mobilisation
- Development of remote and deprived areas
4. Contains of Development Plan

- Statement of the objectives.
- Macro-economic Framework
  (Targeted growth rates of various economic sectors, Investment requirements and source of funds to achieve the targeted growth rates.
- Strategies
- Policies
- Priorities
• Sectoral objectives, strategies, policies and allocation of resources.
• Programs/Projects of various sectors
• Implementation Mechanisms, and
• Monitoring and Evaluation Mechanisms
• Output/Outcomes
Success of a Development Plan depends upon:

- Total knowledge on the nation as a whole including grass roots level realities
- Setting of the objectives
- Appropriateness of policies and strategies
- Adequacy of data and information
- Realistic targets and projections

- Adequate consultations with the stakeholders
- Proper understanding of needs, resources and values
  - Provision of resources
  - Inter-sector consistency
• Planning modality and approach
• Human and institutional resources
• Appropriate organizational set up and administrative arrangement
  • Public participation
  • Coordination among the stakeholders
  • Good quality projects/programs
• Effective Implementation
• Effective monitoring and evaluation mechanism
5. Plan Formulation Process in Nepal

1. Traditional Approach:
   • Basically “top down” - little involvement of stakeholders and beneficiaries.

2. New Approach:
   • A participatory and more “bottom up”
   • VDC, DDC, Regional and National Level Consultations
   • More inclusive participations: gender, ethnic groups, Dalits, Madhesis, disabled, youth, political parties, development partners, NGOs/INGOs etc.
Plan Formulation Process

1. Steering Committee:
   Chair - VC NPC
   members of NPC and secretaries of LM

2. Sectoral Committees:
   Chair – member of NPC
   joint secretaries/ under secretaries/section officers of LM and NPCS, experts, advisors, and invitees.
3. Sectoral Technical Committees:
   Chair-Joint Secretary of NPCS, joint secretaries/under secretaries of LM, program directors/planning officers of NPCS, experts, advisors

4. Task Force: Line Ministries
   Chair –Secretary of respective LMs, department heads, joint secretaries/under secretaries/section officers of LM
• Long Term Vision
• Approach Paper Preparation
• Interaction at the central level
• Regional Level Interactions
• Experts' Suggestions
• National Development Council Directives
• Approval of the Approach Paper
• Involvement of the Ministries and Other Public Agencies
• Detailing the Plan based on the Approach paper
6. Basis of the Plan Formulation

- TP: more participatory and inclusive for economic and social development

**Basis of Plan formulation are:**

- Directive Principles and Policies of the Constitution
- Political party manifesto
- Common Minimum Programme of the Coalition Government
- Other sectoral perspective plans
- SDGs and other government commitments, and
- Domestic issues (like inflation, low growth, unemployment etc)
- Contemporary Challenges of the development (like climate change and global economic, fuel and food crisis)
Macroeconomic Framework and Resource Estimation

- GDP Targets
- Total investment requirements: public and private
- Estimate of required resources
- Revenue
- Public expenditures
- External sources: grants and loan
- Domestic borrowings
How to Determine Resource/Budget and Its Allocations?

• The basis for and process of decisions on resource/budget allocations between sectors is very crucial in the plan formulation.

• Three broad types of decision for sectoral allocation of resources are:

  1. Which sector to invest in?
  2. Which sector should receive priority to achieve desired goals?
  3. What should be the amount of investment to achieve targeted growth of the particular sector?
The sector allocations should be based on:

- Government national objective, target, priorities and policies.
- Allocation of resources between sectors should be made according to sectoral needs, priority accorded to the sector and cost required as well as a clear understanding of the role of the sector in the economy.
Preparation of Draft Approach Paper

- Presented to National Development Council (NDC) meeting
- Finalization of Approach/Base Paper incorporating suggestions and guidance of NDC
- Submission of Approach/Base Paper for the approval by the Cabinet

- Based on the Approach/Base Paper detail Periodic plan is formulated
Current Planning Process in Nepal

- Review of the current Plan
- Preparation of Draft Concept Paper and discussion and finalisation
- Plan Implementation
- Preparation of Draft of Approach Paper
- Preparation of Detail Plan based on Approach Paper
- Approval of Approach Paper through Cabinet

Vision
• Self-reliant, prosperous and socialism oriented national economy and affluent Nepalese people.

Goal
• To reach the level of middle income country through welfare state with social justice.

Objective
• To achieve economic and social transformation by rapid poverty reduction through high economic growth rate along with employment oriented and just distribution.

Strategy
• Following five key strategies have been set to achieve the above vision, goal and objectives:
• To increase production by transformation of the agriculture sector and expansion of tourism, industrial and small and medium enterprises.
• To build infrastructure for energy, road and air transport, information and communication and rural-urban and development of trilateral connectivity.
• To achieve high and sustainable reform in human development by emphasizing on social development, and social security as well as social protection.
• To promote overall good governance by economic, social and governance reform, efficient and accountable public finance, clean, transparent and people friendly public service as well as protecting and promoting human rights.
• To enhance institutional capacity along with gender equality, inclusion, environment protection and maximum use of science and technology.
## Quantitative Targets in The 14th Plan

<table>
<thead>
<tr>
<th>S. No</th>
<th>Indicators</th>
<th>Status of FY 2015/16</th>
<th>Targets 14th Plan</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Annual average economic growth rate (%)</td>
<td>0.77</td>
<td>7.2</td>
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<td>2</td>
<td>Annual average agricultural growth rate (%)</td>
<td>1.33</td>
<td>4.7</td>
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<tr>
<td>3</td>
<td>Annual average non-agricultural sector growth rate (%)</td>
<td>0.63</td>
<td>8.4</td>
</tr>
<tr>
<td>4</td>
<td>Inflation rate (%)</td>
<td>9.5</td>
<td>7.5</td>
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<td>5</td>
<td>Life expectancy at birth (in years)</td>
<td>69.0</td>
<td>72.0</td>
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<td>6</td>
<td>Population Below the Poverty Line (percent)</td>
<td>21.6</td>
<td>17.0</td>
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<td>7</td>
<td>GDP per capita (in ,000)</td>
<td>79.37</td>
<td>116.50</td>
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<td>8</td>
<td>HDI</td>
<td>0.54</td>
<td>0.57</td>
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<tr>
<td>9</td>
<td>Gender Empowerment Index</td>
<td>0.56</td>
<td>0.58</td>
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<td>10</td>
<td>Population with access to basic drinking water (%)</td>
<td>83.6</td>
<td>90.0</td>
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<td></td>
<td>Description</td>
<td>Year 1</td>
<td>Year 2</td>
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<td>-------------------------------------------------------------------------------</td>
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<tr>
<td>11</td>
<td>Population with access to basic sanitation (%)</td>
<td>81.0</td>
<td>89.0</td>
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<tr>
<td>12</td>
<td>Net enrolment rate at the secondary level (%)</td>
<td>37.7</td>
<td>45.0</td>
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<tr>
<td>13</td>
<td>Number of district headquarters with road connectivity</td>
<td>73.0</td>
<td>75.0</td>
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<tr>
<td>14</td>
<td>Access to Internet service population (%) (100)</td>
<td>46.4</td>
<td>65.0</td>
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<td>15</td>
<td>Installed capacity of electricity generation (in MW)</td>
<td>851.0</td>
<td>2301.0</td>
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<tr>
<td>16</td>
<td>Population with access to electricity (%)</td>
<td>74.0</td>
<td>87.0</td>
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<tr>
<td>17</td>
<td>Irrigation (in lakh hectares)</td>
<td>13.92</td>
<td>15.20</td>
</tr>
<tr>
<td>18</td>
<td>Forest coverage area (%)</td>
<td>44.7</td>
<td>40.0</td>
</tr>
<tr>
<td>19</td>
<td>Total length of regional and strategic road transport (km)</td>
<td>27,495</td>
<td>29,495</td>
</tr>
</tbody>
</table>
Economic Growth Rate and Investment Requirement in the Fourteenth Plan

• Annual economic growth rate in the 14\textsuperscript{th} Plan period will be 7.2 percent, with growth rates in the agricultural and non-agricultural sectors maintained at 4.7 and 8.4 percent respectively.

• The incremental capital output ratio (ICOR) is estimated to be 5.2:1.

• Gross fixed capital formation at the constant prices of FY 2015/16 will be Rs.2424.96 billion, Rs. 954 billion (39.4\%) will be invested by the public sector, Rs. 1327.30 billion (54.7\%) by the private sector and Rs. 143.24 billion (5.9\%) by the co-operative sector.
8. New Dimensions in Planning

- Participative Planning
- Top down and Bottom up Planning
- Market based Planning
- Planning by Inducement / Indicative Planning
- Result Based Planning (RBP)/ Strategic Planning
- Sustainable development
- Inclusion
- Good governance
- Growth with equity
- PPP
9. Concept of Result Based Planning (RBP)

1. RBP focuses more on the results in terms of outcome and impact of the plan.
   - It tries to ensure whether the outcome and impact of the plan is in line with the set medium term goals and long term vision of not?

2. RBP gives importance to strategy as to how it could be realized by looking at different options it have and develop policies and programs to realize the goals and targets.

3. It is more a strategic planning as against the traditional medium term planning. In the old approach of planning, more focus is given on the
Result Based Planning (Contd..)

4. *It must be derived from a clear vision of the future:*

- RBP gives importance to “Where do we want to go?” what we want to achieve?— a medium to long term goal/vision, at least for the medium term, and must propose a combination of objectives that have been prioritized by rigorous analysis of the political, social and economic environment.

- The long-term vision, however, should be based on a good assessment of the country’s socio-economic situation and include *goals to be achieved in each of the strategic areas.*

5. *It focuses on goals:*

- Plans containing of numerous goals will not be strategic. To make it strategic the resources must be focused on the most important goals only.
Result Based Planning (Contd..)

• Decisions related to where we want to go must consider the opinions of the majority of stakeholders in the country to ensure government’s plan acceptable and credible.

• The higher the degree of participation by the stakeholders, the greater the possibility the plan to be implemented and its achievements sustained over time.

• As results based strategic planning also has an operational component to respond to the question “How do we want to get there?”, the strategic exercise, products and processes need to be designed and the necessary inputs calculated.

• Moreover, the financial resources required to implement the plan need to be made available and allocated, and coordinated action must be taken by the institutions and organizations involved.
10. Elements of a Result Based Planning

1. **Understand where we are?**
   - Analysis of the socio-economic situation or status, GDP, poverty and inequality and the **strength and weaknesses** of the economy and the country’s development effort. **Finding gaps and strength.**

2. **Clear vision as to what we want to achieve or where we want to reach over a medium to long term?**
   - Setting up of long term vision and objectives and targets for the medium term.

3. **Clear understanding of the path as to how we achieve vision and objectives?**
   - Choosing options for better strategy to attain the objective/goals and designing policies and programs to ensure its outcome/output and impact relating to medium term objectives and long term vision.
4. **Clear understanding of the resources - both human and capital and institutional setup to achieve set targets?**

- Analysis of resource availability and potential, both domestic and foreign, in financing policies and programs and assessing institutional set ups to carry out plan implementation.

5. **Ensure whether we have accomplished the set targets.**

- Designing M & E system to check implementation process, output and the quality of work done as envisaged.
11. Basic Tools Used in Result Based Planning

• Planning **consistency** is given top most priority in RBP. Most often a macro planning model is used for checking the consistency and analysis.

• **Expenditure framework** that make consistency in resource potential and availability in the likely future situation is also used for the purpose.

• **Result Framework** is widely used to check the consistency in the outcome/impact, output and inputs.

• **Result based monitoring framework** is used for M&E of the plan and provide feed back.
Focus of RBP

- RBP is a strategy to increase transparency, and accountability.
- Therefore, it recommends to establish a planning process that:
  - increases transparency
  - ensures accountability
  - promotes proactive management,
  - focuses on performance, and
  - ensures results.
12. Results-based Planning Process

- **Plan for results**
  - Results defined
  - Indicators, targets

- **Budget for results**
  - Budget aligned with activities

- **Implement for results**

- **Monitor results**
  - Linked to planning
  - How & who
  - Data, reporting

- **Evaluate results**
  - How & who
  - Dissemination, feedback
13. Result Chain

Identify the means-ends chain in the analysis of objectives

Steps in Result Chain:

1. **Start from outcome**
2. Identify the impact the outcome contributes to
3. Define outputs
4. Plan for the activities needed to achieve those activities
5. **Work on the resources needed** to implement those activities
## Result chain in Result Framework

<table>
<thead>
<tr>
<th>Category</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>What they achieve?</td>
</tr>
<tr>
<td>Outcome</td>
<td>What they do?</td>
</tr>
<tr>
<td>Outputs</td>
<td>What we achieve?</td>
</tr>
<tr>
<td>Activities</td>
<td>What we do?</td>
</tr>
<tr>
<td>Inputs</td>
<td>What we invest?</td>
</tr>
</tbody>
</table>
The Results Chain

Source: adapted from KIA RBM Manual (2006)
Operational Vs. Developmental results

**Operational results**

The management product of agency, its programs or projects

**Developmental results**

An actual change in the state of human development that is the logical consequence of investment in development
## The Result Chain

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inputs</strong></td>
<td></td>
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<tr>
<td>Financial</td>
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<tr>
<td>human and</td>
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<tr>
<td>Materials</td>
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<tr>
<td><strong>Activities</strong></td>
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<tr>
<td>Tasks and</td>
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<tr>
<td>action taken to</td>
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<tr>
<td>Transform</td>
<td></td>
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<tr>
<td>Input to outputs</td>
<td></td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td></td>
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<tr>
<td>Products:</td>
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<tr>
<td>goods and</td>
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<tr>
<td>services</td>
<td></td>
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<tr>
<td>produced</td>
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<tr>
<td><strong>Outcomes</strong></td>
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<tr>
<td>Intermediate</td>
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<tr>
<td>effects on</td>
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<td>clients</td>
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<td><strong>Impact</strong></td>
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<tr>
<td>Long-term</td>
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<tr>
<td>Improvement</td>
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<tr>
<td>in society</td>
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</tbody>
</table>
Results Chain

**Impact**

Reduced infectious diseases

**Outcomes**

Access to Drinking Water

Proper Garbage Disposal

Personal Cleanliness

**Outputs**

WS Sector New WS System.

Municipality Waste Mgmt Sys.

Health Sector Health Edu Program

**Inputs**

Resources
Why Result Frameworks (RFs)?

It helps in management and M & E in the following ways:

• Helps focus on specific outcomes
• Highlights the key linkages and causalities that underpins the intervention
• Helps establish an evidence-based approach in M&E
• Helps measure progress towards strategic objectives
• Helps achieve strategic objectives
Steps to design a RF

• Identify problems and specify the theory of change to address them

• Set Goals/objectives address them

• Define results (Impact/outcomes/outputs)

• Identify critical risks and assumptions

• Specify indicators and data sources

• Design a M & E plan
Risk Analysis and Results

Decreasing management control → → → → → → → → → →

Inputs → Output → Outcome → Impact

Assumptions
Low risk

Assumptions
Moderate risk

Assumptions
High risk
## Results Framework - Education

<table>
<thead>
<tr>
<th>Results</th>
<th>Indicators and MOV</th>
<th>Responsible</th>
<th>Assumption/Risk</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Indicators</td>
<td>Baseline</td>
<td>Target</td>
</tr>
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<td>Yr 1</td>
<td>Yr 2</td>
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<tr>
<td>Impact</td>
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<tr>
<td><strong>Outcome 1 - Access</strong></td>
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<td>Output 1.1</td>
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<td>Output 1.2</td>
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<td><strong>Outcome 2 - Quality</strong></td>
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<tr>
<td>Output 2.1</td>
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<tr>
<td>Output 2.2</td>
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<tr>
<td><strong>Outcome 3 - Equity</strong></td>
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<td>Output 2.1</td>
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<td>Output 2.2</td>
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<td><strong>Outcome 4 - Accountability</strong></td>
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<td>Output 2.1</td>
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<tr>
<td>Output 2.2</td>
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<tr>
<td>Programs/sub-programs</td>
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## Policy/Results Framework used in the Thirteenth Plan

<table>
<thead>
<tr>
<th>Result</th>
<th>Indicators</th>
<th>Baseline</th>
<th>Target</th>
<th>MOV</th>
<th>Responsible agency</th>
<th>Assumption /Risks</th>
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<tbody>
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<td>Output 1.1</td>
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Thank You